MT LEGISLATIVE HISTORY

Chapter 599 1983

Bill (H) 52a S _____ Original bill & hist. ✓ C

H. Committee on Taxation		S. Committee on Taxation	
Hearing Date(s) FEB 10	✓ C	Hearing Date(s) MAR 7	✓ C
FEB 14	✓ C	MAR 26	✓ C
_____	___ C	_____	___ C
_____	___ C	_____	___ C
Date Out FEB 14	✓ C	MAR 26	✓ C

Did this bill originate in an interim committee? ___ Yes ___ No

Committee _____ Report _____

HOUSE BILL NO. 570

INTRODUCED BY WILLIAMS, YARDLEY

IN THE HOUSE

January 29, 1983	Introduced and referred to Committee on Taxation.
February 14, 1983	Committee recommend bill do pass as amended. Report adopted.
February 15, 1983	Bill printed and placed on members' desks.
February 16, 1983	Second reading, do pass.
February 19, 1983	Considered correctly engrossed.
February 21, 1983	Third reading, passed. Transmitted to Senate.

IN THE SENATE

March 1, 1983	Introduced and referred to Committee on Taxation.
March 28, 1983	Committee recommend bill be concurred in as amended. Report adopted.
March 30, 1983	Second reading, concurred in.
March 31, 1983	Third reading, concurred in. Ayes, 47; Noes, 2.

IN THE HOUSE

March 31, 1983	Returned to House with amendments.

April 6, 1983	Second reading, amendments concurred in.
March 7, 1983	Third reading, amendments concurred in.
	Sent to enrolling.
	Reported correctly enrolled.

House BILL NO. 570

INTRODUCED BY Williams Goodlaxson

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING GOODS AND EQUIPMENT INTENDED FOR RENT OR LEASE AS CLASS EIGHT PROPERTY FOR PURPOSES OF TAXATION; PROVIDING AN EXCEPTION; AMENDING SECTION 15-6-138, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-138, MCA, is amended to read:

"15-6-138. Class eight property -- description -- taxable percentage. (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools, and supplies except:

(i) those included in class five; and

(ii) coal and ore haulers;

(c) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

(d) motorcycles;

(e) watercraft;

(f) light utility and boat trailers;

(g) aircraft;

(h) all-terrain vehicles;

(i) harness, saddlery, and other tack equipment; and

(j) all goods and equipment intended for rent or lease, except goods and equipment specifically included in another class; and

~~(j)~~(k) all other machinery except that specifically included in another class.

(2) Class eight property is taxed at 11% of its market value."

-End-

INTRODUCED BILL

HB 570

STATE OF MONTANA

REQUEST NO. 302-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 570 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 570 establishes goods and equipment intended for rent or lease as class eight property for purposes of taxation and provides an exception.

FISCAL IMPACT:

The fiscal impact of the proposed legislation cannot be estimated because there is insufficient data on all goods and equipment intended for rent or lease. The revenue increase should not be significant at the state or local level.

FISCAL NOTE 10:DD/1

David M Lewis

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: 2-8-83

Approved by committee
on Taxation

HOUSE BILL NO. 570

INTRODUCED BY WILLIAMS, YARDLEY

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING GOODS AND EQUIPMENT INTENDED FOR RENT OR LEASE AS CLASS EIGHT PROPERTY FOR PURPOSES OF TAXATION; PROVIDING AN EXCEPTION; AMENDING SECTION 15-6-138, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-138, MCA, is amended to read:

"15-6-138. Class eight property -- description -- taxable percentage. (1) ~~Class~~ EXCEPT AS PROVIDED IN SUBSECTION (2), CLASS eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools, and supplies except:

(i) those included in class five; and

(ii) coal and ore haulers;

(c) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

(d) motorcycles;

(e) watercraft;

(f) light utility and boat trailers;

(g) aircraft;

(h) all-terrain vehicles;

(i) harness, saddlery, and other tack equipment; and

(j) all goods and equipment intended for rent or lease, except goods and equipment specifically included in another class; and

~~(j)~~(k) all other machinery except that specifically included in another class.

(2) GOODS, EQUIPMENT, AND MACHINERY INCLUDED IN CLASS SIX PROPERTY PRIOR TO JANUARY 1, 1983, IS EXEMPT FROM PROPERTY TAXATION.

~~(2)~~(3) Class eight property is taxed at 11% of its market value."

-End-

SECOND READING

HOUSE BILL NO. 570

INTRODUCED BY WILLIAMS, YARDLEY

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING GOODS AND EQUIPMENT INTENDED FOR RENT OR LEASE AS CLASS EIGHT PROPERTY FOR PURPOSES OF TAXATION; PROVIDING AN EXCEPTION; AMENDING SECTION 15-6-138, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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(i) those included in class five; and

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(c) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

(d) motorcycles;

(e) watercraft;

(f) light utility and boat trailers;

(g) aircraft;

(h) all-terrain vehicles;

(i) harness, saddlery, and other tack equipment; ~~and~~

~~(j)~~ all goods and equipment intended for rent or lease, except goods and equipment specifically included in another class; and

~~(j)~~(k) all other machinery except that specifically included in another class.

(2) GOODS, EQUIPMENT, AND MACHINERY INCLUDED IN CLASS SIX PROPERTY PRIOR TO JANUARY 1, 1983, IS EXEMPT FROM PROPERTY TAXATION.

~~(2)~~(3) Class eight property is taxed at 11% of its market value."

-End-

STATUS SHEET

TAXATION COMMITTEE

48th Legislature

l No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
536	AN ACT TO IMPOSE UPON BANKS & SVGS. & LOAN ASSOC. A FINANCIAL INSTITU. FRANCHISE TAX MEASURED GROSS RECEIPTS IN LIEU OF THE MONTANA CORPORATION LICENSE TAX.....	1-27-83	Neuman	2-8-83	TABLED	3-22-83
549	AN ACT CREATING INCOME TAX DEDUCTIONS FOR TUITION PAID FOR POSTSECONDARY EDUCATION UP TO A MAXIMUM OF $400/STUDENT...	1-28-83	Dozier	2-3-83	TABLED	2-7-83
550	AN ACT TO LIMIT A MONT. CORP. TXPYR. TO THE USE OF ONLY THOSE DEDUC. SET FORTH IN SEC. 15-31-114 & TO DISALLOW THE USE OF FED. INTERNAL REVENUE CODE DEDUCTIONS IN THE CALCULATION OF NET INCOME...	1-28-83	Yardley	2-3-83	DO NOT PASS	3-16-83
556	AN ACT ALLOWING THE COAL BOARD TO MAKE GRANTS TO QUALIFIED APPLICANTS FOR THE PURPOSE OF PAYING PART OR ALL OF AN APPLCNT. CREDIT OBLIGATION FOR PREPAID PROPERTY TAXES.....	1-28-83	Asay	2-3-83	DO PASS	2-7-83
561	AN ACT PROVIDING AN EXCLUSION OF $100 IN INTEREST INCOME FROM ADJUSTED GROSS INCOME TO INDIV. LESS THAN 65 YRS. OF AGE.....	1-29-83	Addy	2-9-83	TABLED	3-12-83
570	AN ACT ESTABLISHING GOODS AND EQUIPMENT INTENDED FOR RENT OR LEASE AS CLASS EIGHT PROPERTY FOR PURPOSES OF TAXATION.....	1-29-83	Williams	2-10-83	AND AS AMENDED DO PASS	2-14-83

rm CS-32

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
February 10, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present.

Testimony was heard on HB 520, HB 527, HB 570 and HB 658 during this meeting.

Executive action was taken on HB 16 during this meeting.

HOUSE BILL 520

REPRESENTATIVE GLENN ROUSH, District 13, sponsor of the bill, said HB 520 was requested by the Coal Tax Oversight Subcommittee. House Bill 520 is an act to clarify the designation process for certain coal board impact grants.

Proponents

MR. M. CAMPBELL, administrative officer for the Montana Coal Board, said HB 520 which deals with priority impact for grants will accomplish the following purposes for the board:

1. House Bill 520 will set up a process for removing units of local government from the designation list. This is necessary because severe impact is only temporary for many governmental units. Should local governments be removed from the list, they can be put back onto the list.

2. House Bill 520 will clarify the designation language that is currently in use under the present statute.

3. House Bill 520 will limit the designation of units of local government based on projected future impacts only to those reasonably certain coal development projects.

4. House Bill 520 provides that this process will be done on an annual basis so that more distant future projects can be considered when they are closer to being implemented.

DR. PHIL BROOKS, an economist with the Department of Administration, said the most important change is in adding Section 2 to the bill. That section reads:

"(2) For the purposes of subsection (1), the department

REPRESENTATIVE HARRINGTON said we did not actually spend the school equilization money, $32 million, from last session. Representative Nordtvedt said the last day or two of the last session, we had $32 million left over in the state general fund. We "stashed" that surplus into the state equilization program after the spending level for the foundation program had been established. That money is still sitting there.

REPRESENTATIVE VINGER said if this bill is passed, there will be a sunset date of two years from now. He asked Representative Nordtvedt how he felt about the sunset date. Representative Nordtvedt said he had no problems with the sunset date. Representative Vinger asked the same question of Mr. Buchanan. Mr. Buchanan said it would be better to have a sunset date than none at all but he felt it would be best to just give a direction to the county superintendents.

The hearing on HB 658 was closed.

CHAIRMAN YARDLEY asked Jim Oppedahl, legislative researcher for the Legislative Council, to draft the proposed amendments to HB 658.

HOUSE BILL 570

REPRESENTATIVE MEL WILLIAMS, District 70, sponsor of the bill, passed out copies of proposed amendments to HB 570. (See EXHIBIT 2.) He said the amendments further clarify what we are attempting to do with HB 570. House Bill 570 is an act establishing goods and equipment intended for rent or lease as class eight property for purposes of taxtion and providing an exception.

REPRESENTATIVE WILLIAMS said HB 570 was introduced on behalf of the county assessors in the state of Montana. This bill is necessary to clarify the intent of the legislature regarding property held for rent or lease. Under the old statute, properties intended solely for sale or lease were included in class six property. Since January 1, 1983, this portion of the statute has been eliminated. Now people who lease occasionally are stating that the property they occasionally lease should be exempt also. Taxpayers who own properties historically taxed in other classes are also coming forth and stating that their properties are now exempt because if is for lease to anyone who wants to lease it. Clarification of legislative intent is necessary to correct this.

Under the current statute, or lack of statute, the situation has arisen where certain owners of property have established wholly owned leasing subsidiaries and lease to themselves to avoid property taxation. With the legislation being proposed, that property which was previously taxed under class six as inventory would remain tax exempt. Property which was not previously taxed

under class six as business inventory, and is now or in the future leased or rented, would be taxed under class eight unless it is in another class.

Proponents

CHARLES GRAVELEY, representing the county assessors, said the offered amendments clarify any problem as far as rental agencies are concerned. The amendments specifically exempt tool rental places. It plugs a loophole created by innovative attorneys and accountants. He asked for favorable consideration and a do pass on HB 570.

DON LARSON, Jefferson County Assessor, said the County Assessors Association supports this legislation.

TOM BECK, Powell County Commissioner, said he would like to go on record in support of HB 570.

REPRESENTATIVE UNDERDAL, District 12, also asked to go on record in support of HB 570.

Opponents

J.C. WEINGARTNER, representing the Montana Rental Association, said they did not support HB 570 as written but do support the bill with the offered amendments.

TED HOFF, owner of the Sun Rental Center, Great Falls, and also representing the Montana Rental Association, said they are opposed to the bill as originally written because the general rental stores fall in the same category as other retail merchants. He said 90% of his rentals are for less than a day. He would support the bill with the proposed amendments.

KEN PETERSON, owner of Taylor Rental, Helena, said his opposition to the bill is the same as other opponent's. He said if the taxes are increased, 15-20% of the rental stores in Montana will have to close. Those stores have not been budgeted for a tax increase of this size. He said he, too, opposes the bill in its present form but supports the bill with the amendments.

REPRESENTATIVE WILLIAMS, in closing, said he is glad the opponents agree with the amendments. It had never been his intention to apply a tax on the small rental stores.

REPRESENTATIVE ASAY said rental companies have many types of production equipment, i.e. backhoes and trenchers. He asked if those types of equipment can be taxed now. Mr. Hoff said his business does have some heavy equipment and occasionally construction companies do rent the equipment but 90% of the rentals, including the heavy equipment, is from the general public on a daily basis.

REPRESENTATIVE DOZIER asked if the rental store owners pay taxes on trailers. Mr. Hoff said they pay highway taxes on all rolling equipment.

REPRESENTATIVE JACOBSEN said the only problem he can foresee is that there is a business inventory bill floating around this legislature. Representative Williams said that would not affect this at all.

The hearing on HB 570 was closed.

CHAIRMAN YARDLEY called the meeting into Executive Session at this time.

EXECUTIVE SESSION

House Bill 16

CHAIRMAN YARDLEY told committee members that HB 16 is separate from the other highway bills.

REPRESENTATIVE WILLIAMS moved HB 16 DO PASS.

REPRESENTATIVE NORDTVEDT asked why the truckers get off "scot-free" at the state level because there is no change in the GVW. Representative Harp said the truckers have taken a 700% increase in the federal use tax - from $280 to $1,600 effective the end of next fiscal year and then $1,900 four years from now because the federal legislation is a four-year act. In essence, the federal government got there before the state.

REPRESENTATIVE NORDTVEDT said most engineering studies tell you that roads are built to carry the truck loads and if they just had automobiles, they could be built for a fraction of the cost. Initial highway costs are determined by trucks. Other studies show the wear and tear, and therefore the maintenance cost, is caused by the truck loads. We need a proper mechanism to get truckers to bear the proper allocated costs for maintaining road systems. The GVW fee has not changed since 1967.

REPRESENTATIVE JACOBSEN said trucks are paying more, mile for mile.

REPRESENTATIVE NORDTVEDT said what we need is a cost analysis to show how much of the money going into the roads is because of the truck traffic and how much for the automobile traffic and see if that is split equitably.

REPRESENTATIVE HARP said truckers also pay severe property taxes and automobiles pay fees. Representative Nordtvedt said those property taxes do not go to highways. Chairman Yardley said property taxes do not apply to out-of-state trucks.

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL 570 DATE 2/10/83

SPONSOR [illegible]

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
J C [illegible]	Helena	Mont Retail Assn		—
Ken Pearsel	Helena	Taylor Rental Center MT Rental Assn		✓
Ted [illegible]	Gt Falls	Sun Rental Corp Montana Petroleum		✓
[illegible]	Helena	[illegible]	✓	
[illegible]	Stanford	Rep [illegible]	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

WITNESS STATEMENT

Name Jim Lowe Committee On 570

Address Bartlett, TN Date

Representing Bartlett Chamber Support X

Bill No. Oppose

Amend

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

FORM CS-34
1-83

EXHIBIT 2
2-10-83

page 2, line 3
Strike: ": and"
Insert: ; goods and equipment previously included in Class 6 would continue to be exempt; and

page 2, line 5
Strike: ":"
Insert: ; machinery previously included in class 6 would continue to be exempt

Subsection (3) would read
(3) Effective date. This act is effective upon passage and approval.

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
February 14, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present except Representatives Harrington and Dozier, who were excused but came later in the meeting.

Testimony was heard on HB 641, HB 644, HB 693, and HB 702. Executive action was taken on HB 527, HB 570, HB 641, HB 644, and HB 693.

HOUSE BILL 641

REPRESENTATIVE JACK SANDS, District 68, sponsor of the bill, said HB 641 was introduced at the request of the county treasurers. The bill raises the amount of interest from delinquent property tax payments from 5/6 of 1% per month to 1% per month. The existing penalty of 2% was not changed. If less than $10 is due on delinquent taxes, the county treasurer will charge a minimum charge of $10.

REPRESENTATIVE SANDS said this issue has been around a lot in previous sessions. He said he has mixed feelings about the increase in the tax. During these hard times, it may make it more impossible to pay back delinquent taxes.

Proponents

DORIS SHEPHERD, County Treasurer of Yellowstone County, said she is representing the Association of Counties. Ms. Shepherd said 1% interest per month is fair. There are $3 million in delinquent taxes in Yellowstone County and the delinquency rate is rising. Delinquent taxes are a problem and the association would like to see the interest rate raised to at least 12% per year.

There were no opponents testifying on HB 641.

REPRESENTATIVE SANDS closed his presentation of HB 641.

REPRESENTATIVE KEENAN asked if most of the people not paying taxes are the corporations and big businesses. Ms. Shepherd said that was correct. The corporations and businesses are earning interest on the money they should have paid their taxes with.

REPRESENTATIVE DEVLIN asked if delinquent taxes are still on the increase. Ms. Shepherd said they contacted some of the larger counties in Montana and were told delinquency is on the increase.

voted yes. Representatives Harrington, Neuman and Nordtvedt were excused during the vote.

House Bill 570

REPRESENTATIVE WILLIAMS said HB 570 dealt with establishing goods and equipment intended for rent or lease as class eight property for purposes of taxation. Representative Williams said we tried to avoid taxing small businesses for the rental of heavy equipment. The Department of Revenue has drafted the following language to be amended into the bill:

> "Lease or rental of exempt equipment, goods, or machinery for commercial use and individually valued in excess of $5,000 shall be reported quarterly to the department on a form specified by the department so the department may fulfill its responsibility under 15-24-1203."

REPRESENTATIVE NORDTVEDT was present at the meeting at this time.

REPRESENTATIVE DEVLIN asked how the figure of $5,000 was arrived at. Mr. Groepper said he tried to capture the essence of what this committee wanted. That figure could be raised or lowered.

REPRESENTATIVE ASAY said anything that is taxable should be taxed. He said he would rather have language that would say anything that is taxable in any other place should be taxed instead of having a dollar amount.

JIM OPPEDAHL, legislative researcher for the Legislative Council, said if you put that language under Chapter 24, Part 12, which is beneficial use tax, it may not work for this bill. The beneficial use tax is imposed for the priviledge of gainful use or beneficial use of property that is otherwise tax exempt. The Department of Revenue collects the tax. The department asks for the reporting of the value of the equipment and the department will then assess that value out. He said the statute reads that by legal status of the owner held under contract of sale or lease with option to purchase with lease monies applicable to the purchase price by any person or for his exclusive use shall be subject to assessment under this chapter.

GREG GROEPPER said the department's concern is that when the legislature took off the business inventory tax as of January 1, 1983, some equipment is now exempt that used to be nonexempt. Under the beneficial use statute, if the property was exempt today, the department would tax the person who uses the property but that is not feasible.

REPRESENTATIVE ASAY said the equipment should be taxed not as business inventory but as property.

REPRESENTATIVE HARRINGTON was present at the meeting at this time.

REPRESENTATIVE WILLIAMS said the proposed language to be amended into the bill would put the Department of Revenue in the position of being able to tax large equipment but not tax people who were tax exempted before.

REPRESENTATIVE WILLIAMS moved the PROPOSED AMENDMENT TO HB 570 DO PASS.

The motion was voted on and FAILED. A roll call vote was taken. All committee members present voted no except Representatives Bertelsen, Devlin, Harp, Switzer, Ream, Underdal, Williams and Yardley, who voted yes. Representative Neuman was excused during the vote.

REPRESENTATIVE WILLIAMS moved HB 570 BE AMENDED as follows:

1. Page 1, line 12.
Following: "(1)"
Insert: "Except as provided in (2), class"

2. Page 2, line 6.
Following: line 5
Insert: "(2) Goods, equipment, and machinery included in class six property prior to January 1, 1983 is exempt from property taxation."

The first amendment was voted on and PASSED. All committee members present voted yes except Representatives Asay, Dozier and Jacobsen, who voted no. Representative Neuman was excused.

The second amendment was voted on and PASSED. All committee members voted yes except Representatives Asay and Jacobsen, who voted no. Representative Neuman was excused.

CHAIRMAN YARDLEY asked Jim Oppedahl to amend the title of the bill to reflect the amendments passed.

REPRESENTATIVE WILLIAMS moved HB 570 DO PASS AS AMENDED.

The motion was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Abrams, Harp, Jacobsen and Nordtvedt, who voted no. Representative Neuman was excused.

House Bill 527

REPRESENTATIVE VINGER moved HB 527 DO PASS.

REPRESENTATIVE VINGER said said private television districts provide their own transmitters. Cable television companies have come in and pirated the signals from those transmitters. The subscribers

AMENDMENT TO H.B. 570

1. Title, line 7.
Following: "MCA"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

2. Page 1, line 12.
Following: "(1)"
Strike: "Class"
Insert: "Except as provided in (2),"

3. Page 2, line 6.
Following: line 5
Insert: "(2) Goods, equipment, and machinery included in class six property prior to January 1, 1983 is exempt from property taxation."
Renumber: subsequent subsection

STANDING COMMITTEE REPORT

February 14, 19 83

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 570

First reading copy (White Color)

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING GOODS AND EQUIPMENT INTENDED FOR RENT OR LEASE AS CLASS EIGHT PROPERTY FOR PURPOSES OF TAXATION; PROVIDING AN EXCEPTION; AMENDING SECTION 15-6-138, MCA."

Respectfully report as follows: That HOUSE Bill No. 570 be amended as follows:

1. Title, line 7.
Following: "MCA"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

2. Page 1, line 12.
Following: "(1)"
Strike: "Class"
Insert: "Except as provided in (2), class"

3. Page 2, line 6.
Following: line 5
Insert: "(2) Goods, equipment, and machinery included in class six property prior to January 1, 1983 is exempt from property taxation."
Renumber: subsequent subsection

AND AS AMENDED DO PASS

DAN HARRINGTON,
Chairman.

FORTY-EIGHTH LEGISLATIVE SESSION

COMMITTEE ON TAXATION (SENATE)

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO NOT DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CONCURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CONCURRED IN DATE
264	2/1/83	3/3/83	3/3/83				3/3/83	Returned to committee on 3/5/83; given ~~BE CONCURRED IN AS AMENDED~~ on 3/9/83.	
286	3/1/83	3/9/83	3/9/83				3/9/83		
333	2/8/83	3/4/83	3/4/83				3/4/83		
423	2/5/83	3/3/83	3/3/83				3/3/83		
446	3/19/83	3/23/83	3/29/83				3/26/83		
448	2/8/83	3/4/83	3/4/83					3/4/83	
460	2/9/83	3/4/83	3/4/83				3/4/83		
466	2/10/83	3/7/83	3/9/83					3/7/83	
492	2/10/83	3/7/83	3/12/83				3/12/83		
511	3/23/83	4/11/83	4/11/83				4/11/83		
544	3/21/83	--	3/23/83	Transferred out of committee on 3/22/83 on Senate floor, to Education Committee.					
550	3/25/83	3/31/83	4/1/83						4/1/83
556	2/12/83	3/11/83	3/11/83				3/11/83		
570	3/2/83	3/7/83	3/26/83					3/26/83	
573	3/18/83	4/13/83	4/14/83						4/14/83
581	2/18/83	3/9/83	3/9/83					3/9/83	

(Use Separate Sheet for Senate, House Bills, and Resolutions)
(NOTE: These sheets indicate the status of the bills heard f

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 7, 1983

The fortieth meeting of the Taxation Committee was called to order at 8 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present except Senator Towe, who was excused.

CONSIDERATION OF HOUSE BILL 466: Representative Ralph Eudaily, House District 100, sponsored the bill, and to explain what type of problem this bill will correct, he read a letter addressed to a Mrs. John E. Wilson in Missoula from the Montana Attorney General. A copy of the letter is attached as Exhibit A. Representative Eudaily had contacted Gregg Groepper, administrator of the property assessment division of the Department of Revenue, who suggested the new language that is in the bill. The two changes relate to the size of the trailer and whether the trailer is used as a residence. The 8' by 32' dimensions come from the old federal definition. The new definition in the HUD regulations is 400 square feet in floor space and whether the trailer is used as a residence.

PROPONENTS

Ed Sheehy, representing the Montana Manufactured Housing Association, said that the national mobile home construction standards distinguish between mobile homes and travel trailers. There are travel trailers being constructed that are more than 8' wide and more than 32' in length. They support the bill.

OPPONENTS

There were no opponents to HB 466.

Questions from the committee were called for.

Senator Norman questioned the width regulations. Mr. Sheehy responded that there are regulations on how wide a vehicle can be that travels on the highways without having to obtain a permit. Senator Turnage thought there should be a width limitation. Mr. Sheehy stated that most travel trailers are not over 8' wide.

Mr. Groepper said the reason for not addressing the width of trailers is that some trailers expand once they are parked.

Senator Norman asked if we were going to have travel trailers that were wider than the statutes permit them to be. Mr. Sheehy responded that one could now have a fifth wheeler that exceeded

32' in length, and on the highway it won't be more than 8' wide. Senator Severson asked if they were talking about outside measurements, and Mr. Groepper replied that they were. Senator Severson said this would cover anything up to 50' in length.

Senator Turnage asked how long a unit could be hauled without a permit. Mr. Sheehy thought 50' was the limit.

Senator Crippen thought the committee should go back to 50' by 8'. Then you have the outside parameters.

Senator Eck asked what this did to motor homes. Mr. Sheehy replied that this bill didn't apply to motor homes.

In closing, Representative Eudaily said that trailers between 32' and 50' in length have not been covered by the fee in lieu of tax. With a 32' fifth wheeler, you have 29 1/2 feet on the road and pay $119 in taxes; a 32' trailer that you pull behind your car or pickup pays only a $15 fee.

The hearing was closed on HB 466.

CONSIDERATION OF HOUSE BILL 570: Representative Mel Williams, House District 70, said this deals with the repeal of the business inventory tax. Representative Williams's written testimony is attached as Exhibit B.

PROPONENTS

Charles Graveley, representing the Montana County Assessors Association, said that when HB 570 was introduced in the House, representatives from the rental industry appeared to oppose the bill. Their equipment was held for lease or rent prior to January 1, 1983. The bill as originally drafted appeared to tax the property that they had. That was not the intent of the bill so we added lines 8-10 on page 2 of the bill.

Don Larson, Jefferson County Assessor, said they would lose a tremendous amount of their business inventory tax base. He said Bonneville Power Administration is going through there and half of their equipment was leased and is not exempt. It is a major loss to the county. People will form lease companies, sell their equipment to the companies, and then lease the equipment back to avoid paying taxes on the property.

OPPONENTS

There were no opponents to HB 570.

Questions from the committee were called for.

Senator Turnage wondered where business inventory came into the class six; he thought it dealt with livestock, poultry and unprocessed agricultural products on the farm or in

storage. (See 15-6-136, MCA, temporary and effective January 1, 1983.)

Mr. Groepper from the Department of Revenue, said that this last taxing year (1982), people tried to get their equipment leased as class six property so they would be exempt when the business inventory tax expired. He referred to rental companies such as A-1 Rentals. He said if he set himself up in a wholly-owned subsidiary, he would come under this definition. Some people set themselves up that way in 1982 to do that. He asked if that was the legislature's intent or should they go to the State Tax Appeal Board to get it settled.

Senator Turnage thought the term "personal property" should be used instead of "goods and equipment."

Senator Elliott commented that the definition of business inventory was messed up in the 1981 session. Leased property should not be included in business inventories. He thought that should be fixed.

Senator Elliott questioned lines 8-10 on page 2. Mr. Groepper said they were not going to resurrect the business inventory tax on the taxpayer if the taxpayer did not have that tax before.

Senator McCallum said all new equipment that is for sale is excluded from the business inventory tax. Senator Turnage said business inventory should include anything for sale, but once you put an item for rent or lease, you lose the privilege of not paying the business inventory tax after January 1, 1983. If you enter into a lease with an option to buy, it is hard luck. Senator Elliott said there would be questions as to whether or not a transaction was a true lease.

Senator Turnage questioned the language on lines 4-5 on page 2, "except goods and equipment specifically included in another class". He thought that should be deleted. Leaving it in would open the floodgate for thousands of dollars of taxable property to be exempt. Senator Severson agreed with Senator Turnage and wondered whether the lessor or lessee would pay the taxes.

In closing, Representative Williams said they would appreciate it if we would change the wording in the bill to express their intent. They had considered exempting property up to a certain value but it failed.

The hearing was closed on HB 570.

CONSIDERATION OF HOUSE BILL 492: Representative Mel Williams, House District 70, presented HB 492 for Representative Dozier who was unable to attend the meeting. This is another bill from the Montana County Assessors Association attempting to properly classify property. Stock trailers are deleted from

A

ROLL CALL

SENATE TAXATION COMMITTEE

48th LEGISLATIVE SESSION -- 1983 Date 3/

NAME	PRESENT	ABSENT	EXCU.
SENATOR GOODOVER, CHAIRMAN	✓		
SENATOR McCALLUM, VICE CHAIRMAN	✓		
SENATOR BROWN	✓		
SENATOR CRIPPEN	✓		
SENATOR ELLIOTT	✓		
SENATOR GAGE	✓		
SENATOR TURNAGE	✓		
SENATOR SEVERSON	✓		
SENATOR HAGER	✓		
SENATOR ECK	✓		
SENATOR HALLIGAN	✓		
SENATOR LYNCH	✓		
SENATOR NORMAN	✓		
SENATOR TOWE			✓

DATE March 7, 1983

COMMITTEE ON TAXATION (SENATE)

VISITORS' REGISTER

NAME (PLEASE PRINT)	REPRESENTING	BILL #	Check One: Support	Oppo
J.C. Weingartner	Montana Petrol Assn	H.B 570	✓ as amended	
Charles Crawley	Co. Commrs. & Co. Treasurers	HB 570	✓	
" "	" "	HB 492	✓	
" "	" "	HB 750	✓	
Don Larson	Assessor's Assoc.	HB 570	✓	
" "	" "	HB 492	✓	
" "	" "	HB 750	✓	
Dennis Burr	Mont. Taxpayers Assn			

(Please leave prepared statement with S

SENATE TAXATION COMMITTEE
EXHIBIT B
MARCH 7, 1983
HB 570

HOUSE BILL NUMBER 570

This Bill is being
~~I am~~ introduced ~~this bill~~ on behalf of the County Assessors in the State of Montana. This bill is necessary to clarify the intent of the legislature regarding property held for rent or lease, and as the result of repeal of the inventory last session - effective Jan 1, 1983

Under the old statute, properties intended solely for sale or lease, in the ordinary course of business were included in class 6 property. Since January 1, 1983, this portion of the statute has been eliminated. Now people who lease occasionally are stating that the property they occasionally lease should be exempt also. Taxpayers who own properties historically taxed in other classes are also coming forth and stating that their properties are now exempt because it is for lease to anyone who wants to lease it. Clarification of legislative intent is necessary to correct this.

Read Sec 15-6-136

Under the current statute or lack of statute, the situation has arisen where certain owners of property have established wholly owned leasing subsidiaries and lease to themselves to avoid property taxation, in other words it opens pandoras box for trying to get properties exempt that are presently being taxed in other classes.
~~With this~~ legislation ~~I am proposing~~ proposed, that property which was previously taxed under Class 6 as inventory would remain tax exempt. Property which was not previously taxed under Class 6 as business inventory, and is now or in the future leased or rented would be taxed under Class 8 unless it is in another class.

Rep Williams

Law Lib.

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 26, 1983

The fifty-fifth meeting of the Taxation Committee was called to order at 8:10 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present except Senator Hager.

DISPOSITION OF HOUSE BILL 58: Cort Harrington, the committee's staff attorney, said the amendments to HB 58 take 13.5 mills for the poor fund and 10 mills for a hospital or nursing home. Both together cannot exceed 18 mills. If there is a hospital district, the 10 mills in section 1 of the bill can't be used.

Senator Towe asked if this would hurt the poor fund in any way. Cort replied it would not. In the last amendment, the attempt to change the number of mills to 10 has been changed back to 3, because you can still go to the voters to get additional mills assessed. Section 2 was deleted from the bill in its entirety.

Senator Turnage asked how many additional mills this would be. Cort replied it would be 4.5 additional mills.

Senator Towe moved that the amendments attached as Exhibit A be adopted. The motion was seconded and passed unanimously.

Senator Towe moved that HB 58 BE CONCURRED IN AS AMENDED. The motion was seconded and passed unanimously. Senator McCallum will carry the bill on the floor.

DISPOSITION OF HOUSE BILL 570: Cort Harrington submitted amendments, attached as Exhibit B. New section 3 in amendment No. 5 (amending 15-6-202, MCA) takes "or lease" out of the business inventory definition. The existing language says goods intended for sale or lease. Amendment No. 5 also inserts new language in class six property (15-6-136, MCA) and brings A-1 Rentals and others into the 4% rate. The limitations are set out.

Senator Towe moved that the amendments attached as Exhibit B be adopted. This provides getting a full tax exemption, keeps in the 4% rate, puts bigger equipment into the 11% class, and takes care of "lease".

Senator Elliott made a substitute motion to amend section 3 (15-6-202, MCA), subsection (5), by inserting "primarily" between "goods" and "intended" in the first line of subsection (5) to accommodate the accounting definition of business inventory. The change was acceptable to Senator Towe.

Senator Turnage wondered about conditional sales contracts where at the option of the buyer, the buyer could lease the equipment and return it at the end of the sale. Senator Severson remarked that any time you lease, the property is for sale.

Senator Turnage suggested subsection (5) should refer to "goods primarily intended for sale and not for lease . . .".

Senator Towe restated his motion to include Senator Elliott's substitute motion and Senator Turnage's suggestion. The motion was seconded and passed, with Senators Crippen, McCallum and Severson voting no.

Senator Towe then moved that HB 570 BE CONCURRED IN AS AMENDED. The motion was seconded and passed unanimously. Senator Towe will carry the bill on the floor.

DISPOSITION OF HOUSE BILL 446: Senator Towe provided the committee with a comparison of gold, silver, copper, and platinum prices when the interim subcommittee studied this and the prices now. It is attached as Exhibit C. The companies never came forward with their expenses and gross and net receipts so projected taxes could be figured. The closest they came up with is the Stillwater PGM Resources figures. (See the figures on Exhibit C.) Senator Towe said he had talked with Mr. Davidoff from the Bureau of Mines, who indicated these figures were amazingly accurate. He asked the committee to look at line 4 at the bottom of the page. Let's figure the base at 110% of the 24-month average price. Then, any time the price goes above 10% of the base, the tax increases by .25%. There is no increase until item (6) on Exhibit C.

Also, Senator Hager had asked Senator Towe to index the base according to wholesale price increase. If the base goes up, you take that first and then include the 10%. See Senator Towe's proposed amendments at Exhibit D.

Senator Severson asked Senator Towe if this would adjust either way. Senator Towe replied it would. If it goes down, 459.54 is the base; if it is lower than the base, the tax never drops below 1.5%. Senator Towe said he talked with Representative Dave Brown, who suggested the committee might want to allow it to go down, but not more than .5%.

Senator Severson remarked that that is where you get into unprofitability, and you are taxing more for less when the price is high. If you are setting it up by value of the base, you should also decrease the tax because of unprofitability.

Senator Halligan, who served on the Hard Rock Mining Impact Board, said the Board wanted to tax profitability and with stability so the tax would be predictable. The existing legis-

ROLL CALL

SENATE TAXATION COMMITTEE

48th LEGISLATIVE SESSION -- 1983 Date 3/2

NAME	PRESENT	ABSENT	EXCUS
SENATOR GOODOVER, CHAIRMAN	✓		
SENATOR McCALLUM, VICE CHAIRMAN	✓		
SENATOR BROWN	✓		
SENATOR CRIPPEN	✓		
SENATOR ELLIOTT	✓		
SENATOR GAGE	✓		
SENATOR TURNAGE	✓		
SENATOR SEVERSON	✓		
SENATOR HAGER		✓	
SENATOR ECK	✓		
SENATOR HALLIGAN	✓		
SENATOR LYNCH	✓		
SENATOR NORMAN	✓		
SENATOR TOWE	✓		
SENATOR MAZUREK	✓		

SENATE TAXATION
EXHIBIT 6
DATE 1/26/95
BILL NO. HB 570

Amendment to HB 570, third reading copy

1. Title, line 7.
Following: line 6
Strike: "SECTION"
Insert: "SECTIONS 15-6-136,"
Following: "15-6-138"
Insert: "AND 15-6-202"

2. Page 1, line 13.
Following: "~~class~~"
Strike: "EXCEPT AS PROVIDED IN SUBSECTION (2),"

3. Page 2, line 4.
Following: "included"
Insert: "and taxed"

4. Page 2, lines 8 through 10
Strike: subsection (2) in its entirety
Renumber: subsequent subsections

5. Page 2.
Following: line 12
Insert: "Section 2. Section 15-6-136, MCA, is amended to read:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) livestock and poultry and the unprocessed products of both;

(b) all unprocessed agricultural products on the farm or in storage except all perishable fruits and vegetables in farm storage and owned by the producer.

(c) items of personal property intended for lease in the ordinary course of business provided each item of personal property satisfies all of the following:

(i) the full and true value of the personal property is less than $5,000;

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis.

(2) Class six property is taxed at 4% of its market value."

Section 3. Section 15-6-202, MCA, is amended to read:

"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise and business inventories are exempt from taxation.

STANDING COMMITTEE REPORT

March 26 19 83

MR PRESIDENT

We, your committee on taxation

having had under consideration House Bill No. 570

Williams (Towe)

respectfully report as follows: That House Bill No. 570

third reading copy, be amended as follows:

1. Title, line 7.
Following: line 6
Strike: "SECTION"
Insert: "SECTIONS 15-6-136,"
Following: "15-6-138"
Insert: "AND 15-6-202"

2. Page 1, line 13.
Following: "ełess"
Strike: "EXCEPT AS PROVIDED IN SUBSECTION (2),"

XXXXXXXX

(Continued on page 2)

Chairman.

STATE PUB. CO.
Helena, Mont.

March 26 19 83

3. Page 2, line 4.
Following: "included"
Insert: "and taxed"

4. Page 2, lines 8 through 10
Strike: subsection (2) in its entirety
Renumber: subsequent subsections

5. Page 2.
Following: line 12
Insert: "Section 2. Section 15-6-136, MCA, is amended to read:
"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:
(a) livestock and poultry and the unprocessed products of both;
(b) all unprocessed agricultural products on the farm or in storage except all perishable fruits and vegetables in farm storage and owned by the producer.
(c) items of personal property intended for lease in the ordinary course of business provided each item of personal property satisfies all of the following:
(i) the full and true value of the personal property is less than $5,000;
(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and
(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis.
(2) Class six property is taxed at 4% of its market value."

Section 3. Section 15-6-202, MCA, is amended to read:
"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise and business inventories are exempt from taxation.
(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.
(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

(Continued on page 3)

Chairman.

STATE PUB. CO.
Helena, Mont.

March 26 19 83

(4) Any person or other group seeking to qualify its property for inclusion in the freeport merchandise class shall make application to the department of revenue in such manner or form as may be required by the department.

(5) "Business inventories" ~~includes~~ include goods primarily intended for sale ~~or~~ and not for lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade."

Section 4. Effective date. This act is effective on passage and approval.""

And, as so amended

BE CONCURRED IN

Pat M. Goodover Chairman.

STATE PUB. CO.
Helena, Mont.

Law Lib.

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 26, 1983

The fifty-fifth meeting of the Taxation Committee was called to order at 8:10 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present except Senator Hager.

DISPOSITION OF HOUSE BILL 58: Cort Harrington, the committee's staff attorney, said the amendments to HB 58 take 13.5 mills for the poor fund and 10 mills for a hospital or nursing home. Both together cannot exceed 18 mills. If there is a hospital district, the 10 mills in section 1 of the bill can't be used.

Senator Towe asked if this would hurt the poor fund in any way. Cort replied it would not. In the last amendment, the attempt to change the number of mills to 10 has been changed back to 3, because you can still go to the voters to get additional mills assessed. Section 2 was deleted from the bill in its entirety.

Senator Turnage asked how many additional mills this would be. Cort replied it would be 4.5 additional mills.

Senator Towe moved that the amendments attached as Exhibit A be adopted. The motion was seconded and passed unanimously.

Senator Towe moved that HB 58 BE CONCURRED IN AS AMENDED. The motion was seconded and passed unanimously. Senator McCallum will carry the bill on the floor.

DISPOSITION OF HOUSE BILL 570: Cort Harrington submitted amendments, attached as Exhibit B. New section 3 in amendment No. 5 (amending 15-6-202, MCA) takes "or lease" out of the business inventory definition. The existing language says goods intended for sale or lease. Amendment No. 5 also inserts new language in class six property (15-6-136, MCA) and brings A-1 Rentals and others into the 4% rate. The limitations are set out.

Senator Towe moved that the amendments attached as Exhibit B be adopted. This provides getting a full tax exemption, keeps in the 4% rate, puts bigger equipment into the 11% class, and takes care of "lease".

Senator Elliott made a substitute motion to amend section 3 (15-6-202, MCA), subsection (5), by inserting "primarily" between "goods" and "intended" in the first line of subsection (5) to accommodate the accounting definition of business inventory. The change was acceptable to Senator Towe.

Senator Turnage wondered about conditional sales contracts where at the option of the buyer, the buyer could lease the equipment and return it at the end of the sale. Senator Severson remarked that any time you lease, the property is for sale.

Senator Turnage suggested subsection (5) should refer to "goods primarily intended for sale and not for lease . . .".

Senator Towe restated his motion to include Senator Elliott's substitute motion and Senator Turnage's suggestion. The motion was seconded and passed, with Senators Crippen, McCallum and Severson voting no.

Senator Towe then moved that HB 570 BE CONCURRED IN AS AMENDED. The motion was seconded and passed unanimously. Senator Towe will carry the bill on the floor.

DISPOSITION OF HOUSE BILL 446: Senator Towe provided the committee with a comparison of gold, silver, copper, and platinum prices when the interim subcommittee studied this and the prices now. It is attached as Exhibit C. The companies never came forward with their expenses and gross and net receipts so projected taxes could be figured. The closest they came up with is the Stillwater PGM Resources figures. (See the figures on Exhibit C.) Senator Towe said he had talked with Mr. Davidoff from the Bureau of Mines, who indicated these figures were amazingly accurate. He asked the committee to look at line 4 at the bottom of the page. Let's figure the base at 110% of the 24-month average price. Then, any time the price goes above 10% of the base, the tax increases by .25%. There is no increase until item (6) on Exhibit C.

Also, Senator Hager had asked Senator Towe to index the base according to wholesale price increase. If the base goes up, you take that first and then include the 10%. See Senator Towe's proposed amendments at Exhibit D.

Senator Severson asked Senator Towe if this would adjust either way. Senator Towe replied it would. If it goes down, 459.54 is the base; if it is lower than the base, the tax never drops below 1.5%. Senator Towe said he talked with Representative Dave Brown, who suggested the committee might want to allow it to go down, but not more than .5%.

Senator Severson remarked that that is where you get into unprofitability, and you are taxing more for less when the price is high. If you are setting it up by value of the base, you should also decrease the tax because of unprofitability.

Senator Halligan, who served on the Hard Rock Mining Impact Board, said the Board wanted to tax profitability and with stability so the tax would be predictable. The existing legis-

STANDING COMMITTEE REPORT

March 26 19 83

MR. PRESIDENT

We, your committee on taxation

having had under consideration House Bill No. 570

Williams (Towe)

Respectfully report as follows: That House Bill No. 570

third reading copy, be amended as follows:

1. Title, line 7.
Following: line 6
Strike: "SECTION"
Insert: "SECTIONS 15-6-136,"
Following: "15-6-138"
Insert: "AND 15-6-202"

2. Page 1, line 13.
Following: "class"
Strike: "EXCEPT AS PROVIDED IN SUBSECTION (2),"

[illegible]

(Continued on page 2)

Chairman.

STATE PUB. CO.
Helena, Mont.

pc

March 26 19 83

3. Page 2, line 4.
Following: "included"
Insert: "and taxed"

4. Page 2, lines 8 through 10
Strike: subsection (2) in its entirety
Renumber: subsequent subsections

5. Page 2.
Following: line 12
Insert: "Section 2. Section 15-6-136, MCA, is amended to read:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) livestock and poultry and the unprocessed products of both;

(b) all unprocessed agricultural products on the farm or in storage except all perishable fruits and vegetables in farm storage and owned by the producer.

(c) items of personal property intended for lease in the ordinary course of business provided each item of personal property satisfies all of the following:

(i) the full and true value of the personal property is less than $5,000;

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis.

(2) Class six property is taxed at 4% of its market value."

Section 3. Section 15-6-202, MCA, is amended to read:

"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise and business inventories are exempt from taxation.

(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.

(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

(Continued on page 3)

Chairman.

STATE PUB. CO.
Helena, Mont.

March 26 19 83

(4) Any person or other group seeking to qualify its property for inclusion in the freeport merchandise class shall make application to the department of revenue in such manner or form as may be required by the department.

(5) "Business inventories" ~~includes~~ include goods primarily intended for sale ~~or~~ and not for lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade."

Section 4. Effective date. This act is effective on passage and approval.""

And, as so amended

BE CONCURRED IN

Pat M. Goodover Chairman.

STATE PUB. CO.
Helena, Mont.

March 28, 1983

SENATE STANDING COMMITTEE REPORT
(Taxation)

That House Bill No. 570 be amended as follows:

1. Title, line 7.
Following: line 6
Strike: "SECTION"
Insert: "SECTIONS 15-6-136,"
Following: "15-6-138"
Insert: "AND 15-6-202"

2. Page 1, line 13.
Following: "class"
Strike: "EXCEPT AS PROVIDED IN SUBSECTION (2),"

3. Page 2, line 4.
Following: "included"
Insert: "and taxed"

4. Page 2, lines 8 through 10
Strike: subsection (2) in its entirety
Renumber: subsequent subsections

5. Page 2.
Following: line 12
Insert: "Section 2. Section 15-6-136, MCA, is amended to read:
"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:
(a) livestock and poultry and the unprocessed products of both;
(b) all unprocessed agricultural products on the farm or in storage except all perishable fruits and vegetables in farm storage and owned by the producer.
(c) items of personal property intended for lease in the ordinary course of business provided each item of personal property satisfies all of the following:
(i) the full and true value of the personal property is less than $5,000;
(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and
(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis.
(2) Class six property is taxed at 4% of its market value."

Section 3. Section 15-6-202, MCA, is amended to read:
"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise and business inventories are exempt from taxation.

(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.

(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

(4) Any person or other group seeking to qualify its property for inclusion in the freeport merchandise class shall make application to the department of revenue in such manner or form as may be required by the department.

(5) "Business inventories" ~~includes~~ include goods primarily intended for sale ~~or~~ and not for lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade."

Section 4. Effective date. This act is effective on passage and approval.""

HOUSE BILL NO. 570

INTRODUCED BY WILLIAMS, YARDLEY

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING GOODS AND EQUIPMENT INTENDED FOR RENT OR LEASE AS CLASS EIGHT PROPERTY FOR PURPOSES OF TAXATION; PROVIDING AN EXCEPTION; AMENDING ~~SECTION~~ SECTIONS 15-6-136, 15-6-138, AND 15-6-202, MCA; ~~AND~~ AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-138, MCA, is amended to read:

"15-6-138. Class eight property -- description -- taxable percentage. (1) ~~Class~~ ~~EXCEPT AS PROVIDED IN SUBSECTION (2),~~ CLASS eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools, and supplies except:

(i) those included in class five; and

(ii) coal and ore haulers;

(c) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

(d) motorcycles;

(e) watercraft;

(f) light utility and boat trailers;

(g) aircraft;

(h) all-terrain vehicles;

(i) harness, saddlery, and other tack equipment; and

(j) all goods and equipment intended for rent or lease, except goods and equipment specifically included AND TAXED in another class; and

~~(j)~~(k) all other machinery except that specifically included in another class.

~~(2) GOODS, EQUIPMENT, AND MACHINERY INCLUDED IN CLASS SIX PROPERTY PRIOR TO JANUARY 1, 1983, IS EXEMPT FROM PROPERTY TAXATION.~~

~~(3)~~(2) Class eight property is taxed at 11% of its market value."

SECTION 2. SECTION 15-6-136, MCA, IS AMENDED TO READ:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) livestock and poultry and the unprocessed products of both;

(b) all unprocessed agricultural products on the farm or in storage except all perishable fruits and vegetables in farm storage and owned by the producer;

(c) items of personal property intended for lease in the ordinary course of business provided each item of personal property satisfies all of the following:

(i) the full and true value of the personal property is less than $2,000;

Reference Bill

(iii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iiii) the lease of the personal property is generally on an hourly, daily, or weekly basis.

(2) Class six property is taxed at 4% of its market value."

SECTION 3. SECTION 15-6-202, MCA, IS AMENDED TO READ:

"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise and business inventories are exempt from taxation.

(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.

(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

(4) Any person or other group seeking to qualify its

property for inclusion in the freeport merchandise class shall make application to the department of revenue in such manner or form as may be required by the department.

(5) "Business inventories" ~~includes~~ include goods primarily intended for sale ~~or~~ and not for lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade."

SECTION 4. EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON PASSAGE AND APPROVAL.

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